



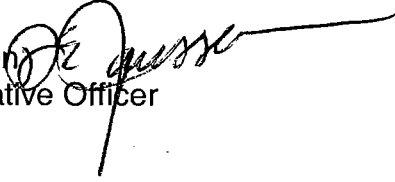
County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

March 24, 2005

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen 
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

SACRAMENTO UPDATE

Hearing on Pension Reform

On Thursday, April 14, 2005, the Assembly Committee Public Employees, Retirement and Social Security, chaired by Assembly Member Alberto Torrico, will hold a hearing entitled "Pension Reform in California: The Impact on Local Government". The hearing will take place at the Los Angeles City Hall - Council Chambers from 1:00 p.m. to 3:30 p.m.

Scheduled witnesses include Los Angeles City Councilman Dennis Zine, Orange County Supervisor Lou Correa, and Santa Clara County Executive Peter Kutas. They will discuss issues concerning current defined benefits programs in local government.

The second part of the hearing will include participation by Los Angeles Police Chief William Bratton, LACERA Chief Executive Officer Marsha Richter, and CalPERS Assistant Executive Officer Ken Marzion. They will discuss the pros and cons of moving to a mandatory defined contribution plan, and the costs associated with such a move. Members of my staff will attend the hearing.

Pursuit of Position on Redevelopment Legislation

AB 921 (Daucher), as introduced on February 18, 2005, would 1) allow the term of redevelopment projects to be extended for an additional 25 years without making a new finding of blight, 2) allow a redevelopment agency, during a 25-year extension, to use up to 40 percent of the property tax allocated for infrastructure improvements related to the production of market-priced or affordable housing while using a minimum of 60 percent

of the funds to increase, improve, or preserve market-priced and affordable housing, and 3) limit the amount of property tax shifted to redevelopment agency receipts during a 25-year extension to 50 percent of the amount that would otherwise be allocated under current law.

Existing law allows for the establishment of redevelopment projects for up to 40 years based on a demonstration of blight, and, in certain instances, a project can be extended if significant blight remains. In 1993, the Community Redevelopment Reform Act (AB 1290) was enacted which curbed redevelopment abuse by tightening the definition of blight needed to invoke redevelopment powers. AB 921 would weaken current law by allowing redevelopment projects to be extended by an additional 25 years without regard to blight. By extending the term of projects, taxing agencies such as the County would continue to lose access to property taxes until the projects are completed. The financial impact of extending redevelopment projects an additional 25 years, while only partially mitigated by the proposed 50 percent reduction, would be very significant.

Because AB 921 would divert local tax revenues from critical County services, our Sacramento advocates will oppose this bill. Opposition is consistent with existing Board policy to oppose any redevelopment legislation which would cause the County to lose revenues, or which would limit or repeal provisions of AB 1290. AB 921 was referred to the Assembly Committee on Housing and Community Development, and is scheduled for hearing on March 30, 2005. The bill is sponsored by the author, and there are no recorded supporters at this time. The California State Association of Counties has taken an oppose position on the bill.

AB 1330 (Karnette), as introduced on February 22, 2005, would establish the Harbor District Development Authority in the City of Los Angeles, and authorize the City Council of the City of Los Angeles, by resolution, to designate the Los Angeles Board of Harbor Commissioners as the redevelopment agency for the Los Angeles Harbor District.

Under current law, in areas where there is physical and economic blight, redevelopment projects can be created to improve health, safety, and general welfare. The theory behind redevelopment law is that the severe physical and economic burdens of certain areas cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment. Once a redevelopment plan has been adopted, the redevelopment agency is granted extraordinary powers to cure the blight, including the use of eminent domain; the receipt of property tax increment diverted from other taxing entities; and the ability to issue bonded indebtedness without voter approval.

Additionally, in 1993, the Community Redevelopment Reform Act (AB 1290) was enacted which created significant procedural and substantive changes to the redevelopment law to address abuses. Among the abuses that concerned the Legislature was the inappropriate adoption of projects for areas that were not "blighted,"

and an amendment process that allowed redevelopment plans to virtually never end. The 1993 reforms included a clearly defined adoption process with formal procedures to ensure that taxing entities and citizens have the opportunity to provide input and comments; an expansion of the requirement to prepare certain detailed reports and documents regarding the proposed project and environmental impacts; clarification of the blight definition and blight finding requirements; and the imposition of statutory limits on time periods for incurring debt and for the duration of the plan.

AB 1330 creates a new definition of blight that fits the circumstances of the Los Angeles Harbor District, exempts the Los Angeles Harbor District from certain environmental impact report (EIR) requirements, shortens plan adoption reporting requirements, and eliminates the prohibition on redevelopment agency use of property tax increment for operations and maintenance expenses (current law restricts the use of agency funds to capital expenses).

AB 1330 substantially departs from the mechanisms under current law to effectuate redevelopment projects, and would likely have a major impact on taxing agencies such as the County which would suffer a loss of access to property taxes that would not be returned for at least 40 years, when the project may be completed. The potential revenue loss to the County is significant. According to preliminary data provided to my office by the City of Los Angeles, the County's estimated property tax loss from AB 1330 could range from \$25 million to \$50 million.

Because AB 1330 would divert local tax revenues from critical County services, our Sacramento advocates will oppose this bill. Opposition is consistent with existing Board policy to oppose any redevelopment legislation which would cause the County to lose revenues, or which would limit or repeal provisions of AB 1290.

AB 1330 has not been referred to a committee, and may be heard after March 26, 2005. There is no recorded support or opposition.

SB 521 (Torlakson), as introduced on February 18, 2005, would change redevelopment law relating to transit villages. Specifically, the bill would 1) allow local governments to extend the boundaries of a transit village development plan, 2) amend current redevelopment law to include the lack of high density development within a transit village development district as an economic condition that causes blight, 3) require the agency to submit the proposed transit village redevelopment plan to the California Infrastructure and Economic Development Bank which would make a finding on whether the proposed project is consistent with the requirements of redevelopment law.

The Community Redevelopment Reform Act of 1993 (AB 1290) curbed redevelopment abuse by tightening the criteria for evidence of blight that would be needed to invoke redevelopment powers. SB 521 weakens current law by adding new criteria that would allow transit village boundaries to be extended, and the definition of blight to be

expanded. If the State determines that this measure implements worthwhile policy goals, then it should provide the necessary funds instead of enacting legislation which unilaterally forces the diversion of desperately needed county funds.

Because SB 521 would divert local tax revenues from critical County services, our Sacramento advocates will oppose this bill. Opposition is consistent with existing Board policy to oppose any redevelopment legislation which would cause the County to lose revenues, or which would limit or repeal provisions of AB 1290.

SB 521 has been referred to the Senate Committee on Local Government, and is scheduled for a hearing on April 6, 2005. There is no recorded support or opposition.

We will continue to keep you advised.

DEJ:GK
MAL:JF:ib

c: Executive Officer, Board of Supervisors
County Counsel
Local 660
All Department Heads
Legislative Strategist
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants